

June 4, 1968

CID9
Note to: DD/Pers/SP

Reference: Your Note of 27 May 1967 Concerning Employees Who Have Exhausted Maximum Benefits.

1. At present we have two cases in which the \$30,000 maximum has been reached. We also have two others which are at the threshold with accumulations of \$29,400 and \$26,350 in major medical benefits. In the latter two cases the patients have been discharged from hospital confinement. All four cases involve mental and nervous conditions of dependents of employees.

2. Norm Conway tells me that info re cost of increasing the maximum^{is} in the attached letter to you.



STAT

SUGGESTS POSSIBLE
NEED FOR A MORE
FLEXIBLE PLAN -
KIND OF A SUPER-
MARKET APPROACH -
PICK WHAT YOU WANT
AND PAY FOR WHAT YOU
PICK -

POSSIBLE?

[Signature]

17 MAY 1968

TRANSMITTAL SLIP

DATE

15 May 1968

TO:

ROOM NO.

5E56

BUILDING

Hqs

REMARKS:

1 fold for ST Cerr
12

STAT

FROM:

ROOM NO.

2E29

BUILDING

Hqs

FORM NO. 241
1 FEB 55REPLACES FORM 36-8
WHICH MAY BE USED.

STAT

(47)

STAT

15 May 1968

MEMORANDUM FOR: President, GEHA

SUBJECT : Proposed Changes to the Hospitalization
Contract

1. I have sampled a large segment of the OCS GEHA membership regarding their views on the proposed changes to the hospitalization contract with rather interesting results. In reviewing these comments, it should be noted that OCS may be unusual in two respects: most of our people are young and about 40% of them are in the clerical or technical categories.

2. Basic finding was that the majority oppose any increase in premium costs. When they saw that the proposed changes meant increased costs to them, I am sure that many did not bother to look at what the additional investment would buy them. This may be short-sighted but it seems characteristic of the age of inflation, higher taxes, and an increasing concern for out-of-pocket expenses without immediate tangible pay-off. Secondly, there was a definite feeling that if premium costs go up, many would consider switching to another plan when the opportunity arises. Again, this may be short-sighted--forgetting that costs of other plans are bound to rise as well. Thirdly, those who were in favor of the changes (mostly professionals) prefer the more modest increase in benefits and costs. Finally, there was some concern that our claims procedure involves more effort on their part than the other plans. This would be enough to make them switch if the association plan was not significantly better than others in terms of benefits and costs.

3. It was clear that our people were looking at the proposed changes as a complete package and that if they did not like any one part of it, they would reject the whole thing. The proposed Group Hospital Indemnity Plan and other similar plans, if available (say in the surgical area), may be an answer to this problem. This would provide options that the individual who cared enough to look into the matter could analyze and establish a program tailored to his needs.

cc: GEHA Directors

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C/23

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cc: GEHA Directors

CKB

1 MAY 1968

MEMORANDUM FOR: President, GEHA, Inc.

SUBJECT : Review of Hospitalization
Insurance Contracts

1. I received and carefully reviewed your memorandum of 25 April 1968 concerning possible changes in our hospitalization program. In order to be better informed as to the desires of Agency employees, I did an informal survey checking with people in the Office of Security on the proposed insurance programs.

2. My first concern was the attitude of relatively low graded clerical employees as to raises in insurance premiums. I talked to about twenty-five employees in this category and of the twenty-five, all but two preferred better insurance coverage even though it meant a raise in rates. It should be noted that many of these individuals were single and so the rate raise did not concern them to any great extent.

3. One thing that surprised me was the fact that many of our younger people have taken Blue Cross rather than the Agency program. When I asked these people why they had taken Blue Cross, I received two answers: One answer was that Blue Cross had better coverage than our own plan, and the second answer was their parents had recommended that they take Blue Cross.

4. I have also checked with a number of professional employees and most of them are more concerned about being fully covered than they are about the cost. Most of them would much prefer to be in a position where they knew their hospitalization bill was covered rather than to have a dollar limit on the amount the underwriters would pay.

5. As a result of this very informal survey, I would suggest that other Directors check with personnel of different grades in their own areas to see what these people would like in the way of hospitalization coverage. I would also recommend that we check with the underwriter and find out just exactly how much it would cost in the way of premiums to obtain the full coverage for hospital room and board similar to that offered by Blue Cross.

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cc: GEHA Directors